

S E C R E T

MEXICOGeneral Background

Mexico, one-fourth the size of the United States, has an area of 758,551 square miles, three-fifths of which is steep, rugged hills and mountains. Only about 12 per cent of the total area is cultivatable.

The population of Mexico is in excess of 70 million and is increasing at the present rate of 3.5 per cent per year. Mexico City metropolitan area has an estimated population of 17 million and is at an altitude of 7,350 feet.

Mexico is a federal republic, embracing 31 states and the Federal District. The basic law of the land is the Constitution of 1917. The Institutional Revolutionary Party (PRI), also known as the government party, has been the dominant political force in Mexico since 1929. While the Mexican constitution provides for a representative form of government, in actuality the President runs the country. The current president, Miguel de la Madrid, was elected on 4 July 1982 for a six-year term, and took office on 1 December 1982. He is the key figure in both the political and economic life of the country and can issue laws by decree without the consent of his Congress. The President cannot hold office for a second term.

In recent years, Mexico has played a larger role in international affairs and continues to occupy a key position in Latin America due to its geographic position, size, dynamic development and growing awareness of the possibilities of leadership, particularly since the discoveries of petroleum. The importance of Mexican-American relations flows from geography, history, economic, cultural and family ties joined by a 2,000 mile-long border. The United States supplies approximately 60 per cent of Mexico's imports and absorbs approximately 70 per cent of Mexico's exports. In addition to trade, there are numerous other bilateral issues affecting relations between the United States and Mexico.

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In the area of foreign policy there has been a divergence of opinion with the U.S. particularly with respect to the United States' policy in Central America. The United States is concerned over Mexico's overtly friendly relationship with Cuba and its passive approval of leftist insurgency in Central America.

When President de la Madrid was inaugurated on 1 December 1982 he took over a country beset with enormous financial and economic problems. The President moved quickly to impose a program of economic initiatives that reassured the international financial community and gained Mexico a \$4 billion IMF loan, new financial commitments from world bankers and foreign governments and set the stage for a massive Mexican debt rescheduling. De la Madrid's efforts to bring domestic spending in line with Mexico's resources and IMF targets has yielded some financial results but has nearly derailed the domestic economy. Determination and skillful negotiating tactics have gained the President the support of organized labor and earned him the grudging cooperation of business and the middle class. It is likely to be much harder for President de la Madrid to maintain a consensus on the austerity program for the rest of 1983 and he may be led to seek adjustments with the IMF for some relaxation of the remaining targets.

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